

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED RATE ADJUSTMENT APPLICATION	)
FOR THE THOMAS COUNTRY ESTATES	) CASE NO.
WASTEWATER TREATMENT PLANT IN	) 2008-00355
GRAVES COUNTY	)

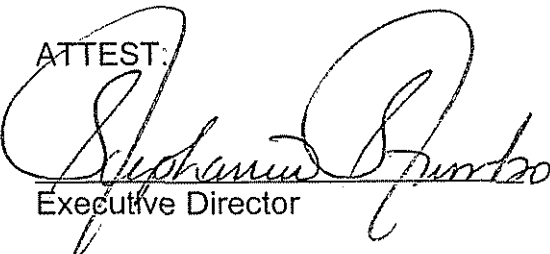
O R D E R

On August 28, 2008, Thomas Country Estates filed its application for Commission approval of its proposed sewer rates. Commission Staff, having performed a limited financial review of Thomas Country Estates' operations, has prepared the attached report containing its findings and recommendations regarding the proposed rates. All parties should review the report carefully and submit any written comments on Staff's findings and recommendations or requests for a hearing or an informal conference within 10 days of the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have 10 days from the date of this Order to submit written comments regarding the attached Staff Report or to request a hearing or an informal conference in this matter. If no request for a hearing or an informal conference is received by that date, this case shall stand submitted to the Commission for decision.

Done at Frankfort, Kentucky, this 9th day of October, 2008.

ATTEST:

  
Executive Director

By the Commission

STAFF REPORT  
THOMAS COUNTRY ESTATES  
CASE NO. 2008-00355

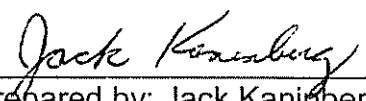
Pursuant to a request by Thomas Country Estates for assistance with the preparation of a rate application, Commission Staff ("Staff") performed a limited review of the utility's test year operations for the calendar year ended December 31, 2007. The scope of Staff's review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.


Upon completion of the review, Staff assisted Thomas Country Estates in the development and preparation of a rate application. The application included an adjusted pro forma operating income statement wherein adjustments were made to test year operating revenues and expenses that were known and measurable and deemed to be reasonable, as shown in Attachment A. The rates proposed by Thomas Country Estates were based on the pro forma income statement as shown in the application. The application also includes the calculation of Thomas Country Estates' revenue requirement using an 88% operating ratio, which is frequently used by the Commission to determine revenue requirements for small sewer utilities. To generate the revenue requirement of \$42,107, Thomas Country Estates is proposing to increase its annual revenues from sewer rates by \$9,107, an increase of 27.6 percent over normalized sewer revenues of \$33,000.

On August 28, 2008, Thomas Country Estates filed its rate application with the Commission. Thomas Country Estates' current rate is a flat monthly fee of \$27.50, which it proposes to increase by 27.6 percent to \$35.09. Based on its review, Staff finds that Thomas Country Estates' statement of adjusted test period operations is reasonable and reflective of normal operations and should be used to determine the revenue requirement. Staff further finds that the method that Thomas Country Estates used to determine its revenue requirement is correct and reasonable. Accordingly, Staff recommends approval of Thomas Country Estates' requested rates.

Jason Green is responsible for all revenue adjustments and the calculation of the proposed rates. Jack Kaninberg is responsible for the determination of the revenue requirement. Based on the recommendations herein, Staff is of the opinion that the rate as shown in Attachment B of this report is reasonable and should be approved by this Commission.

Signatures

  
Prepared by: Jack Kaninberg  
Financial Analyst, Water and Sewer  
Revenue Requirements Branch  
Division of Financial Analysis

  
Prepared by: Jason Green  
Rate Analyst  
Water and Sewer Rate Design Branch  
Division of Financial Analysis

ATTACHMENT A  
STAFF REPORT CASE NO. 2008-00355

Account	2007	Adjustments	Ref.	Adjusted
Operating Revenues	\$32,000	\$1,000	<b>A</b>	\$33,000
Sludge Hauling	\$1,950	\$150	<b>B</b>	\$2,100
Water Cost	\$141	0		\$141
Fuel-Pumping	\$4,654	0		\$4,654
Miscellaneous Supplies	\$2,330	0		\$2,330
Routine Maintenance Fee	\$23,294	\$648	<b>C</b>	\$23,942
Uncollectibles	\$397	0		\$397
Office Supplies	\$298	0		\$298
Outside Services	\$1,101	0		\$1,101
Insurance Exp.	\$1,834	0		\$1,834
Regulatory Fee	\$54	0		\$54
<i>Total O&amp;M Exp</i>	<i>\$36,053</i>	<i>\$798</i>		<i>\$36,851</i>
Depreciation	\$6,815	0		\$6,815
Amortization	(\$6,612)	0		(\$6,612)
<b>Total Exp.</b>	<b>(\$36,256)</b>	<b>\$798</b>		<b>(\$37,054)</b>
Net Operating Income	(\$4,256)	\$202		(\$4,054)

**Revenue Requirement Calculation:**

\$ 37,054 - Operating Expenses  
     / 88% - Divided by 88% Operating Ratio  
 \$ 42,107 - Revenue Requirement  
(\$33,000) - Normalized Revenues  
 \$ 9,107 - Requested Increase (27.6% Increase over Normalized Revenues)

Monthly Rate = \$42,107 / 100 customers = \$421.07 divided by 12 months = \$35.089 per month, or \$35.09 rounded up.

**Explanatory Notes:**

**A. Normalized Revenues** as determined by 100 customers x 12 months x \$27.50.

**B. Sludge Hauling Expense** was increased by \$150 to reflect the service provider's cost increase during the year from \$110 to \$140 per load.

**C. Routine Maintenance Fee** was increased 2.8% by Mayfield effective July 1, 2008. The estimated increase to this utility is \$54.02 per month, or \$648 annually.

ATTACHMENT B  
STAFF REPORT CASE NO. 2008-00355  
STAFF'S RECOMMENDED RATE

Monthly Sewer Rate

Flat Rate	\$35.09 per month
-----------	-------------------